

GROUPE DE LA BANQUE AFRICAINE
DE DEVELOPPEMENT

Guidelines

Demonstration that an Adaptation Benefits Mechanism activity is new and not Business as Usual

I. BACKGROUND

1. Paragraph 10 of the “Guidelines for the Development of an Adaptation Benefits Mechanism methodology”¹ provides generic guidance on conditions to demonstrate that an Adaptation Benefits Mechanism (ABM) activity is new and not business as usual. The guidance states that “an ABM activity shall show that it is new and not business as usual, e.g., not common practice or mandated by law. If the ABM activity does not generate revenues sufficient to fully fund the activity and if its promoter declares that no entity has provided and will be requested to provide budget fully funding the activity within the next five years of the activity registration date, it is deemed to be new and not business as usual.”

2. At its 15th meeting, the ABM EC adopted the “Guidelines on demonstration that an Adaptation Benefits Mechanism activity is new and not Business as Usual” upon recommendation by the ABM Methodology Panel, as contained in this document. The ABM Executive Committee is providing these guidelines to operationalize paragraph 10 of the “Guidelines for the Development of an Adaptation Benefits Mechanism methodology” with the view to assisting ABM activity participants with preparing their ABM activity description documents.

¹ Document ABM EC/2020/5/10

II. OBJECTIVES

3. The objectives of these guidelines are to provide ABM activity participants with the following:
- (a) Guidance in a stepwise approach on how to demonstrate that the ABM activity is new and not business as usual;
 - (b) Applicable benchmarks or thresholds for specific steps.

III. DEFINITIONS

4. In addition to the definitions in the “Glossary of terms for the Adaptation Benefits Mechanism”², the following terms apply in these procedures:

- (a) "Shall" is used to indicate requirements to be followed;
- (b) "Should" is used to indicate that among several possibilities, one course of action is recommended as particularly suitable;
- (c) "May" is used to indicate what is permitted;
- (d) “Widely enforced laws or regulations” means that the degree of compliance to such law or regulation is more than 50% in the host country;
- (e) “Full funding” means either a grant or loan covering implementation of the full ABM activity;

IV. GUIDELINES

Step 1: NDC Check

5. Activity participants shall demonstrate that the ABM activity is not included in the unconditional component of host country’s NDC. If the **ABM activity is included in the unconditional component** of the host country’s NDC then the **ABM activity is not additional**. If the NDC does not specify any conditionality or if the activity is not included in the national budget or if the NDC does not provide a clear identification of the activities included in its unconditional component, then proceed to step 2.

Step 2: Laws and Regulations Check

6. Activity Participants shall demonstrate that the ABM activity is not mandated by widely enforced laws or regulations. If the ABM activity is **mandated by widely enforced laws** or regulations, then the **ABM activity is not additional**. Otherwise

² Document ABM EC-2022-15-12.

proceed to the next step.

7. In demonstration of the above condition, widely enforced laws and regulations should be assessed based on official or conducted surveys by the ABM activity promoter in the host country where the ABM activity is to be implemented.

Step 3: Common Practice Check

8. Activity participants shall demonstrate that similar activities do not constitute a common practice in the target region. If the activity participant can demonstrate this condition, then proceed to the next step.

Step 4: Barriers Demonstration

9. Activity participants shall demonstrate at least one of the following barriers.

Step 4.a: Investment Barriers

10. If the ABM activity does not generate revenues and if the activity participants can show that no entity has committed budget fully funding the activity within the next five years of the activity registration date, then the activity is additional.

11. If the ABM activity generates revenues, then conduct an investment benchmark analysis by estimating the Internal Rate of Return (IRR) of the activity without any benefits from the ABM mechanism. In conducting the analysis, the revenues and any funding from an entity having committed to provide budget funding the activity within the next five years shall be considered as benefits to the activity participants. If the IRR is above the benchmark, then proceed to step 4.b. If the **IRR is below the benchmark**, then the **ABM activity is additional**. Activity participants may either use the rate of the central bank in the host country or the benchmarks provided in Annex I³.

Step 4.b: Technology or practice Barrier

12. Demonstrate that the ABM activity faces a technology or practice barrier that prevents its implementation in the host country. This may include unavailability of technology in the host country and high risks of operating the technology. An example would be the high risks of technologies for identification and adoption of alternative crops resistant to high temperature in the host country. If it can be demonstrated that the

³ The document is under development.

ABM activity faces technology barrier, then it is additional. If it cannot be demonstrated that the ABM activity faces technology barrier, then proceed to step 4.c.

Step 4.c: Access to Finance Barrier

13. Demonstrate that the ABM activity faces an access to finance barrier. This may be done by demonstrating that no public or private capital is available from domestic or international sources due to real or perceived risks associated with investment in the country where the ABM activity is to be implemented. If it can be demonstrated that the **ABM activity faces access to finance barrier, then it is additional.** If it cannot be demonstrated that the ABM activity faces finance barrier, then the activity is not additional.